# ACC101_set 12, ACC101_set 1, ACC101_set 4, ACC101_set 3, ACC101_set 5, ACC101_set 6, ACC101_set 2, ACC101_set 11, ACC101_set 8, ACC101_set 9, ACC101_set 7, ACC101_ set 10

Quizlet



1. **a** QN=1 48 Which statement is true?
a. The double entry system requires every transaction to be recorded in at least two places
b. The double entry system requires every transaction to be recorded in at least three places
c. The double entry system requires every transaction to be recorded in at least one places
d. The double entry system requires every transaction to be recorded in at least four places
e. None of these

2. **a** QN=28 Newton Company uses the allowance method of accounting for uncollectible accounts.
On May 3, the Newton Company wrote off the $3,000 uncollectible account of its
customer, P. Best. The journal entry on May 3 is:
a. Dr allowance for doubtful debts 3000
Cr account receivable 3000
b. Dr bad debt expense 3000
Cr account receivable 3000
c. Dr bad debt expense 3000
Cr Allowance for doubtful debt 3000
d. Dr account receivable 3000
Cr bad debt expense 3000
e. Dr Accounts receivable 3000
Cr Cash 3000

3. **a** QN=50 Resources owned or controlled by a company that are expected to yield future benefits are:
a. Assets.
b. Revenues.
c. Liabilities.
d. Owner's Equity.
e. Expenses.

4. **a** QN=203 Borrow $ 1,000 loan to pay for new equipment of the company is recorded with:
a. Debit equipment and credit loan
b. Credit equipment and debit loan
c. Debit cash and credit loan
d. Credit cash and debit loan
e. None of these

5. **a** QN=150 Depreciation is:
a. The assigning or allocating of a fixed asset's cost to expense over the accounting periods that the asset is likely to be used.
b. The assigning or allocating of a tangible asset's cost to expense over the accounting periods that the asset is likely to be used.
c. The assigning or allocating of a intangible asset's cost to expense over the accounting periods that the asset is likely to be used.
d. The assigning or allocating of a fixed asset's cost to expense over the accounting periods.
e. None of these

6. **a** QN=68 If the liabilities of a company increased $74,000 during a period of time and equity in the company decreased $19,000 during the same period, what was the effect on the assets?
a. Assets would have increased $55,000.
b. Assets would have decreased $55,000.
c. Assets would have increased $19,000.
d. Assets would have decreased $19,000.
e. None of these.

7. **a** QN=200 A condition in which a company's expenses exceed its revenues. What does that mean:
a. A loss
b. A gain
c. A profit
d. A net income
e. A net sale

8. **a** QN=18 A company had inventory of 15 units at a cost of $20 each on November 1. On November 2, it purchased 10 units at $22 each. On November 6 it purchased 12 units at $25 each. On November 8, it sold 22 units for $54 each. Using the FIFO perpetual inventory method, what was the cost of the 22 units sold?
a. $454.
b. $366.
c. $450.
d. $570.
e. $520.

9. **a** QN= 67 If the assets of a business increased $89,000 during a period of time and its liabilities increased $67,000 during the same period, equity in the business must have:
a. Increased $22,000.
b. Decreased $22,000.
c. Increased $89,000.
d. Decreased $156,000.
e. Increased $156,000.

10. **a** QN=198 A method of valuing the cost of goods sold that uses the cost of the oldest items in inventory first. What is it?
a. FIFO
b. LIFO
c. Weighted Average
d. Specific method
e. None of these

11. **a** QN=277 A company might provide a service or product on credit. "On credit" implies that the cash payment will occur:
a. on a later date
b. on selling day
c. on previous day
d. No due date
e. No ability to collect

12. **a** QN=27 Which of the following is not a category or element of the balance sheet?
a. Expense
b. Liabilities
c. Assets
d. Account payable
e. Loan

13. **a** QN=1 92 Accounts receivable refers:
a. Money which is owed to a company by a customer for products and services provided on credit
b. Money which is owed to a company by a suppliers for products and services provided on credit
c. Money which is owed to a company by a bank
d. Money which is owed to a company by the investors
e. Money which is owed to a company by a customer for products and services provided

14. **a** QN=191 John, the owner of Matt company, withdrew $8,000 from the business during the current year. The entry to close the withdrawals account at the end of the year, is:
a. Debit capital $8,000 and credit withdrawal $ 8,000
b. Debit capital $8,000 and credit cash $ 8,000
c. Debit capital $8,000 and credit expense $ 8,000
d. Debit expense $8,000 and credit income $ 8,000
e. Credit capital $8,000 and debit withdrawal $ 8,000

15. **a** QN=25 Which of the following is a liability?
a. Account payable
b. Account receivable
c. Cash
d. Inventory
e. expense

16. **a** QN=1 89 The special account used only in the closing process to temporarily hold the amounts of revenues and expenses before the net difference is added to (or subtracted from) the owner's capital account is the:
a. Income Summary account.
b. Closing account.
c. Balance column account.
d. Profit accounts.
e. Loss accounts.

17. **a** QN=207 Which statement is true:
a. Prepaid expense is considered an asset on the balance sheet
b. Prepaid expense is considered a liability on the balance sheet
c. Prepaid expense is considered an expense on the income statement
d. Prepaid expense is considered a loss on the income statement
e. None of these

18. **a** QN=229 The useful life of a fixed asset is:
a. The length of time it is productively used in a company's operations.
b. Never related to its physical life.
c. Its productive life, but not to exceed one year.
d. Don't need to be determined.
e. Determined by law.

19. **a** QN=30 Electron borrowed $15,000 cash from TechCom by signing a promissory note. TechCom's entry to record the transaction should include a:
a. Debit to Notes Receivable for $15,000.
b. Debit to Accounts Receivable for $15,000.
c. Credit to Notes Receivable for $15,000.
d. Debit Notes Payable for $15,000.
e. Credit to Cash for $15,000.

20. **a** QN=33 A vehicle had an estimated useful life of 8 years. The vehicle cost $23,000 and its estimated salvage value is $1,500. The depreciation expense (using straight line method) for a year is:
a. $ 2687.50.
b. $ 3546.50.
c. $ 2875.00.
d. $10,750.00.
e. $ 2,856.25.

21. **a** QN=1 15 Which statement is correct?
a. Accumulated Depreciation is a contra asset account
b. Depreciation expense is a contra asset account
c. Account payable is a contra asset account
d. Account receivable is a contra asset account
e. Unearned revenue is a contra asset account

22. **a** QN=59 Distributions by a business to its owners are called:
a. Withdrawals.
b. Expenses.
c. Assets.
d. Retained earnings.
e. Net Income.

23. **a** QN=234 A company purchased new computers at a cost of $28,000 on January 1, 2010. The computers are estimated to have a useful life of 5 years and have a salvage value of
3,000. The company uses the straight-line method of depreciation. How much depreciation expense will be recorded for the computers for the year ended December
31, 2010?
a. $5,000
b. $6,000
c. $3,000
d. $5,600
e. $6,500

24. **a** QN=266 The rule that financial statements will be prepared with the assumption that the business will continue operating instead of being closed or sold, is the:
a. On - Going-concern principle.
b. Accrual basic principle.
c. Matching principle.
d. Cost Principle.
e. Consistency principle.

25. **a** QN=264 The operating functions of a business exclude:
a. Borrowing.
b. Purchasing.
c. Marketing.
d. Distribution.
e. All of these.

26. **a** QN=244 Selling products for cash $300 and $700 on credit. Show the general journal entry to record this transaction.
a. Debit Cash $ 300
Debit Account Receivable $700
Credit Revenue $1,000
b. Debit Cash $300
Debit Account Payable $700
Credit Revenue $1,000
c. Debit Account Receivable $700
Credit Unearned Revenue $700
d. Debit Unearned Revenue $700
Credit Account Receivable $700
e. Debit Cash $ 700
Credit Revenue $700

27. **a** QN=42 The rule that requires financial statements to reflect the assumption that the business will continue operating instead of being closed or sold, unless evidence shows that it will not continue, is the:
a. Going-concern principle.
b. Business entity principle.
c. Objectivity principle.
d. Cost Principle.
e. Monetary unit principle.

28. **a** QN=260 The summary amounts below appear in the Income Statement and Balance Sheet columns of a company's December 31 work sheet. Prepare the necessary closing entries into INCOME SUMMARY
Asset : $15,000
Liability: $14,000
Revenue: $ 10,000
Withdrawal: $1,000
a. Debit Revenue: $10,000
Credit Income summary: $10,000
b. Debit Income summary: $10,000
Credit Revenue: $10,000
c. Debit owner capital: $10,000
Credit Revenue: $10,000
d. Debit owner capital: $1,000
Credit Withdrawal: $1,000
e. Debit Withdrawal: $1,000
Credit owner capital: $1,000

29. **a** QN=45 An example of an operating activity is:
a. Paying wages.
b. Purchasing office equipment.
c. Borrowing money from a bank.
d. Selling stock.
e. Paying off a loan.

30. **a** QN=256 Office supplies available at the beginning of the year are 0. During the year, the company purchased $3000 of office supplies. On December 31, $1000 of office
supplies remained. Additional company's insurance expense is $ 1000. How much should the company report as office supplies expense for the year?
a. $2000
b. $3000
c. $1000
d. $4000
e. $5000

31. **a** QN=206 Which is true about account receivable:
a. Money which is owed to a company by a customer for products and services provided on credit.
b. Money which is owed to a company by a customer for products and services provided.
c. Money which is borrowed by a company for products and services bought on credit.
d. Money which is borrowed by a company for products and services bought.
e. None of these

32. **a** QN=252 Cooley company has the balance in the accounts payable at the beginning of March was $1,000. During the month of March, Cooley company purchased from Dell company on account totaling $2,000. Also during this month, Cooley company paid $500 on its accounts payable for Dell company. In addition, Cooley company was paid $8,000 by a customer for services to be provided in the future. What is the balance in accounts payable at the end of March?
a. $2,500.
b. $10,500.
c. $8,000
d. $12,500
e. $2,000

33. **a** QN=1 31 The balance in the prepaid insurance account before adjustment at the end of the year is $4,800, which represents the insurance premiums for four months. The premiums were paid on November 1. The adjusting entry required on December 31 is:
a. Debit Insurance Expense, $2,400; credit Prepaid Insurance, $2,400.
b. Debit Prepaid Insurance, $2,400; credit Insurance Expense, $2,400.
c. Debit Insurance Expense, $1,200; credit Prepaid Insurance, $1,200.
d. Debit Prepaid Insurance, $1,200; credit Insurance Expense, $1,200
e. Debit Cash, $4,800; Credit Prepaid Insurance, $4,800.

34. **a** QN=284 Provide descriptions for this transaction:
Debit inventory $8,000 and credit cash $,8000
a. Buying inventory by cash $8,000
b. Buying inventory on credit $8,000
c. Arrange inventory contract on credit $8,000
d. Arrange inventory contract by cash $8,000
e. None of these

35. **a** QN=163 Which statement is about Mary's capital:
a. The owner's equity account that contains the amount invested in the sole proprietorship by Mary Smith plus the net income since the company began minus the draws made by Mary Smith since the company began.
b. The owner's equity account that contains the amount invested in the sole proprietorship by Mary Smith minus the net income since the company began minus the draws made by Mary Smith since the company began.
c. The owner's equity account that contains the amount invested in the sole proprietorship by Mary Smith plus the net income since the company began plus the draws made by Mary Smith since the company began.
d. The owner's equity account that contains the amount invested in the sole proprietorship by Mary Smith plus the net income since the company began
e. None of these

36. **a** QN=286 Provide descriptions for this transaction:
Debit Cash $8,000 and credit Unearned revenue $,8000
a. Received payment in advance from customers by cash $8,000
b. Paid in advance for supplies by cash $8,000
c. Adjusting revenue at the end of period $8,000
d. Adjusting unearned revenue at the end of period $8,000
e. None of these

37. **a** QN=128 A company purchased a new truck at a cost of $42,000 on July 1, 2009. The truck is estimated to have a useful life of 6 years and a salvage value of $3,000. The company uses the straight-line method of depreciation. How much depreciation expense will be recorded for the truck for the year ended December 31, 2009?
a. $3,250.
b. $3,500.
c. $4,000.
d. $6,500.
e. $7,000.

38. **a** QN=287 Provide descriptions for this transaction:
Debit Cash $8,000 and credit Unearned revenue $,8000
a. Received payment in advance from customers by cash $8,000
b. Paid in advance for supplies by cash $8,000
c. Adjusting expense at the end of period $8,000
d. Adjusting unearned revenue at the end of period $8,000
e. None of these

39. **a** QN=126 On January 1, Southwest College received $1,200,000 in Unearned Tuition Revenue from its students for the spring semester, which spans four months beginning on January 2. What amount of tuition revenue should the college recognize on January 31?
a. $300,000.
b. $600,000.
c. $800,000.
d. $900,000.
e. $1,200,000.

40. **a** QN=168 All expenditures necessary to bring an item to a salable condition and location. This statement is the definition of:
a. Inventory costs
b. Cost of goods sold
c. Invoice cost
d. Freight cost
e. None of these

41. **a** QN=209 Which statement is true:
a. Account payable is considered a liability on the balance sheet
b. Account payable is considered a liability on the statement of owner equity
c. Account payable is considered a liability on the income statement
d. Account payable is considered a liability on the cash flow statement
e. None of these

42. **a** QN=159 Which statement is true:
a. Generally when an expense or withdraw is involved in a transaction, it will be debit
b. Generally when an expense or withdraw is involved in a transaction, it will be credit
c. Generally when an make loan or withdraw is involved in a transaction, it will be debit
d. Generally when make loan or withdraw is involved in a transaction, it will be credit
e. None of these

43. **a** QN=158 Which statement is true:
a. Depreciation Expense is shown on the income statement in order to achieve accounting's matching principle.
b. Depreciation Expense is shown on the balance sheet in order to achieve accounting's matching principle.
c. Depreciation Expense is shown on the income statement
d. Depreciation Expense is shown on the balance sheet
e. None of these

44. **a** QN=295 Inventory accounts should be classified in which section of a balance sheet?
a. Current assets
b. Investments
c. Intangible assets
d. Tangible assets
e. Non-current assets

45. **a** QN=134 The balance in Tee Tax Services' office supplies account on February 1 and February 28 was $1,200 and $375, respectively. If the office supplies expense for the month is $1,900, what amount of office supplies was purchased during February?
a. $1,075
b. $1,500
c. $1,525
d. $2,325
e. $3,100

46. **a** QN=154 The financial statement that reports the assets, liabilities, and stockholders' (owner's) equity at a specific date is the
a. Balance sheet
b. Income statement
c. Ledger
d. General journal
e. None of these

47. **a** QN=279 Provide descriptions for this transaction:
Increase cash $1,000 and Increase equity $,1000
a. Investment of cash in business by owner or performed services for cash
b. Investment of cash in business by owner
c. Performed services for cash
d. Collected cash from customers
e. None of these

48. **a** QN=151 The Income Summary account is:
a. Temporary account that need to be closed at the end of accounting period.
b. Permanent account that need to be closed at the end of accounting period.
c. Temporary account that need not to be closed at the end of accounting period.
d. Permanent account that need not to be closed at the end of accounting period.
e. It depends on business

49. **a** QN=224 Costs included in the Merchandise Inventory account can include:
a. Invoice price minus any discount, Transportation-in, Storage, Insurance
b. Invoice price plus any discount, Transportation-in, Storage, Insurance
c. Invoice price minus any discount, Transportation-out, Storage, Insurance
d. Invoice price minus any discount, Transportation-in, cost of good sold
e. All of these

50. **a** QN=1 Merchandise inventory includes:
a. All goods owned by a company and held for sale.
b. All goods in transit.
c. All goods on consignment.
d. Only damaged goods.
e. All goods in the stores of company.

51. **a** QN=1 74 Reflects assumption that the business will continue operating instead of being closed or sold.
It is about:
a. Going-Concern Assumption
b. Business Entity Assumption
c. Time Period Assumption
d. Revenue Recognition Principle
e. Cost Principle

52. **a** QN=75 Flash had cash inflows from operations $62,500; cash outflows from investing activities of $47,000; and cash inflows from financing of $25,000. The net change in cash was:
a. $40,500 increase.
b. $40,500 decrease.
c. $134,500 decrease.
d. $134,000 increase.
e. $9,500 increase.

53. **a** QN=4 The inventory valuation method that results in the lowest taxable income in a period of
inflation is:
a. LIFO method.
b. FIFO method.
c. Weighted-average cost method.
d. Specific identification method.
e. Gross profit method.

54. **a** QN=1 44 Which of the following accounts is not increased by a debit?
a. Revenue
b. Expense
c. Asset
d. Withdrawal
e. None of these

55. **a** QN=6 An overstatement of ending inventory will cause
a. An overstatement of assets and equity on the balance sheet.
b. An understatement of assets and equity on the balance sheet.
c. An overstatement of assets and an understatement of equity on the balance sheet.
d. An understatement of assets and an overstatement of equity on the balance sheet.
e. No effect on the balance sheet.

56. **a** QN=1 45 Which of the following statements is true?
a. A debit increases an asset while a credit decrease an asset
b. A debit decreases an asset while a credit decrease an asset
c. A debit increases a liability and a credit decreases a liability
d. A debit increases revenues and a credit decreases revenues
e. None of these

57. **b** QN=44 An example of a financing activity is:
a. Buying office supplies.
b. Obtaining a long-term loan.
c. Buying office equipment.
d. Selling inventory.
e. Buying land.

58. **b** QN=122 On April 30, 2009, a three-year insurance policy was purchased for $18,000 with coverage to begin immediately. What is the amount of insurance expense that would appear on the company's income statement for the year ended December 31, 2009?
a. $500.
b. $4,000.
c. $6,000.
d. $14,000.
e. $18,000.

59. **b** QN=46 Operating activities:
a. Are the means organizations use to pay for resources like land, buildings and equipment.
b. Involve using resources to research, develop, purchase, produce, distribute and market products and services.
c. Involve acquiring and disposing of resources that a business uses to acquire and sell its products or services.
d. Are also called asset management.
e. Are also called strategic management.

60. **b** QN=41 The accounting assumption that requires every business to be accounted for separately
from other business entities, including its owner or owners is known as the:
a. Objectivity principle.
b. Business entity assumption.
c. Going-concern assumption.
d. Revenue recognition principle.
e. Cost principle.

61. **b** QN=1 46 Which of the following is a liability?
a. Account receivable
b. Account payable
c. Owner's capital
d. Owner's withdrawal
e. None of these

62. **b** QN=233 A company purchased new computers at a cost of $14,000 on October 1, 2010. The computers are estimated to have a useful life of 4 years and a salvage value of $2,000. The company uses the straight-line method of depreciation. How much depreciation expense will be recorded for the computers for the year ended December 31, 2010?
a. $250
b. $750
c. $875
d. $1,000
e. $3,000

63. **b** QN=39 Internal users of accounting information include:
a. Shareholders.
b. Managers.
c. Lenders.
d. Suppliers.
e. Customers.

64. **b** QN=235 Provide descriptions for this transaction:
Debit expense $2,000 and Credit supplies $2,000
a. Purchased supplies by cash
b. Used supplies
c. Counted supplies
d. Purchased supplies on credit
e. None of these

65. **b** QN=129 A company's Office Supplies account shows a beginning balance of $600 and an ending balance of $400. If office supplies expense for the year is $3,100, what amount of office supplies was purchased during the period?
a. $2,700.
b. $2,900.
c. $3,300.
d. $3,500.
e. $3,700.

66. **b** QN=31 The amount due on the maturity date of a $12,000, 60-day 8%, note receivable is:
a. $6,000.
b. $12,000.
c. $160.
d. $12,160.
e. $5,920.

67. **b** QN=132 What is the proper adjusting entry at December 31, the end of the accounting period, if the balance in the prepaid insurance account is $7,750 before adjustment, and the unexpired amount per analysis of policies is, $3,250?
a. Debit Insurance Expense, $3,250; credit Prepaid Insurance, $3,250.
b. Debit Insurance Expense, $4,500; credit Prepaid Insurance, $4,500.
c. Debit Prepaid Insurance, $4,500; credit Insurance Expense, $4,500.
d. Debit Insurance Expense, $7,750; credit Prepaid Insurance, $7,750.
e. Debit Cash, $7,750; Credit Prepaid Insurance, $7,750.

68. **b** QN=133 A company purchased new computers at a cost of $14,000 on September 30, 2010. The computers are estimated to have a useful life of 4 years and a salvage value of $2,000. The company uses the straight-line method of depreciation. How much depreciation
expense will be recorded for the computers for the year ended December 31, 2010?
a. $250
b. $750
c. $875
d. $1,000
e. $3,000

69. **b** QN=135 Revenues, expenses, and withdrawals accounts, which are closed at the end of each accounting period are:
a. Real accounts.
b. Temporary accounts.
c. Closing accounts.
d. Permanent accounts.
e. Balance sheet accounts.

70. **b** QN=139 The Income Summary account is used:
a. To adjust and update asset and liability accounts.
b. To close the revenue and expense accounts.
c. To determine the appropriate withdrawal amount.
d. To replace the income statement under certain circumstances.
e. To replace the capital account in some businesses.

71. **b** QN=1 47 Which statement is true?
a. Expenses increase Owner's equity
b. Expenses decrease Owner's equity
c. Expenses increase Owner's withdrawal
d. Expenses decrease Owner's withdrawal
e. None of these

72. **b** QN= 137 Journal entries recorded at the end of each accounting period to prepare the revenue, expense, and withdrawals accounts for the upcoming period and to update the owner's capital account for the events of the period just finished are referred to as:
a. Adjusting entries.
b. Closing entries.
c. Final entries.
d. Work sheet entries.
e. Updating entries.

73. **b** QN=1 76 A business is accounted for separately from other business entities, including its owner.
a. Going-Concern Assumption
b. Business Entity Assumption
c. Time Period Assumption
d. Matching Principle
e. Cost Principle

74. **b** QN=251 At the beginning of January of the current year, a Law company has a normal balance of $50,000 for accounts receivable. During January, the company collected $14,000 from customers and provided additional services to customers on account totaling $12,000.
Additional, company used service of $ 1,000 on credit. At the end of January, the balance in the accounts receivable account should be:
a. $49,000.
b. $48,000.
c. $36,000
d. $26,000
e. $76,000

75. **b** QN=153 The financial statement that reports the revenues and expenses for a period of time such as a year or a month is the
a. Balance sheet
b. Income statement
c. Ledger
d. General journal
e. None of these

76. **b** QN=205 On June 1, 2010, The company paid $1,000 cash for the loan owing the bank before. Recording this transaction.
a. Debit cash and credit loan
b. Credit cash and debit loan
c. Debit account payable and credit loan
d. Credit account payable and debit loan
e. None of these

77. **b** QN=208 Which statement is true:
a. Unearned revenue is considered an asset on the balance sheet
b. Unearned revenue is considered a liability on the balance sheet
c. Unearned revenue is considered an expense on the income statement
d. Unearned revenue is considered a loss on the income statement
e. None of these

78. **b** QN=210 Which is the process that resets revenue, expense and withdrawal account balances to zero at the end of the period
a. Adjusting account
b. Closing process
c. Recording transaction
d. Prepare trial balance
e. Prepare financial statement

79. **b** QN=227 A company had inventory of 5 units at a cost of $20 each on November 1. On November 2, it purchased 10 units at $22 each. On November 6 it purchased 6 units
at $25 each. On November 8, it sold 18 units for $54 each. Using the LIFO perpetual inventory method, what was the cost of the 18 units sold?
a. $395.
b. $410.
c. $450.
d. $510.
e. $520.

80. **b** QN=215 Which accounts don't need to do closing entries?
a. Revenue
b. Non - current asset
c. Income Summary
d. Withdrawals
e. Expense

81. **b** QN=221 Which statement is true?
a. Income summary and withdrawals accounts are permanent accounts and should be closed at the end of the accounting period.
b. Income summary and withdrawals accounts are temporary accounts and should be closed at the end of the accounting period.
c. Income summary and withdrawals accounts are temporary accounts and don't need to be closed at the end of the accounting period.
d. Income summary and Liability accounts are temporary accounts and should be closed at the end of the accounting period.
e. Income summary and asset accounts are temporary accounts and should be closed at the end of the accounting period.

82. **b** QN=155 Under the accrual basis of accounting, revenues are reported in the accounting period when the
a. Cash is received
b. Service or goods have been delivered
c. Contracts have been signed
d. Trading negotiation has been done
e. None of these

83. **b** QN=202 The company buys a new car for personal use is recorded with below entry:
a. Debit cash and credit withdrawal
b. Credit cash and debit withdrawal
c. Credit account payable ad debit withdrawal
d. Credit cash and debit expense
e. None of these

84. **b** QN=156 Under the accrual basis of accounting, expenses are reported in the accounting period when the
a. Cash is paid for purchasing
b. Expense incurred
c. Contracts have been signed
d. Trading negotiation has been done
e. None of these

85. **b** QN=157 Unearned Revenues is what type of account?
a. Asset
b. Liability
c. Owner equity
d. None of these
e. Net Asset

86. **b** QN=160 Which account is noncurrent or long-term asset
a. Equipment, supplies, vehicle
b. Equipment, building, vehicle
c. Equipment, prepaid expense, vehicle
d. Equipment, account receivable, vehicle
e. None of these

87. **b** QN=1 61 Which statement is true?
a. A contra-asset account such as Accumulated Depreciation will likely have debit balance
b. A contra-asset account such as Accumulated Depreciation will likely have credit balance
c. A contra-asset account such as Depreciation will likely have credit balance
d. A contra-asset account such as Depreciation will likely have debit balance
e. None of these

88. **b** QN=165 On June 1, $800 of goods are sold with credit terms of 1/10, n/30. How much would the seller receive if the buyer pays on June 8?
a. 790
b. 792
c. 240
d. 800
e. 232

89. **b** QN= 167 The buyer is responsible for the costs of shipping when goods are sold with the terms FOB
a. Shipping board
b. Shipping point
c. Destination
d. On board
e. None of these

90. **b** QN=169 Which statement is true:
a. A wholesaler is an intermediary that buys products from manufacturers or wholesalers and sells them to consumers.
b. A retailer is an intermediary that buys products from manufacturers or wholesalers and sells them to consumers.
c. A retailer is an intermediary that buys products from manufacturers and sells them to wholesalers.
d. A retailer is an intermediary that buys products from manufacturers and sells them to consumers.
e. None of these

91. **b** QN=204 The company buys a new building for personal use is recorded with below entry:
a. Debit cash and credit withdrawal
b. Credit cash and debit withdrawal
c. Credit account payable ad debit withdrawal
d. Credit cash and debit expense
e. None of these

92. **b** QN=201 Items used in business operations, such as office pens and paper are several samples of:
a. Office expense
b. Office supplies
c. Office equipment
d. Prepayment
e. None of these

93. **b** QN=253 On June 30, 2009, Apricot Co. paid $7,500 cash for a service that will be performed during two-year period. On June 30, 2009 Apricot should record:
a. A credit to an expense for $7,500 and debit cash $ 7,500
b. A debit to a prepaid expense for $7,500 and credit cash $ 7,500
c. A debit to a prepaid expense for $7,500 and credit account payable $ 7,500
d. A credit to a prepaid expense for $7,500 and debit cash $ 7,500
e. A debit to expense for $7,500 and credit cash $ 7,500

94. **b** QN=272 A cash outflow from the company into its owner is called a(n):
a. Liability.
b. Withdrawal.
c. Expense.
d. Profit.
e. Investment.

95. **b** QN=257 The company has no office supplies available at the beginning of the year. During the year, the company purchased $500 of office supplies on credit. On December 31, there is $100 of office supplies remained. How much should the company report for the year as office supplies expense?
a. $600
b. $400
c. $100
d. $300
e. $500

96. **b** QN=232 Which statement is true about tangible asset?
a. Tangible assets are assets held for sale
b. Tangible assets are assets held for operating activity of the company
c. Tangible assets are assets acquired by loan
d. Tangible assets are assets never reduce value
e. Tangible assets are assets increase value over the time

97. **b** QN=262 The summary amounts below appear in the Income Statement and Balance Sheet columns of a company's December 31 work sheet. Prepare the necessary closing entries into INCOME SUMMARY
Asset : $15,000
Liability: $14,000
Expense: $ 8,000
Withdrawal: $1,000
a. Debit Expense: $8,000
Credit Income summary: $8,000
b. Credit Expense: $8,000
Debit Income summary: $8,000
c. Credit withdrawal: $1,000
Debit Income summary: $1,000
d. Credit Asset: $15,000
Debit Income summary: $15,000
e. Debit owner capital: $1,000
Credit Withdrawal: $1,000

98. **b** QN= 265 External users of accounting information exclude:
a. Shareholders.
b. Manager.
c. Creditors.
d. Government regulators.
e. All of these.

99. **b** QN=267 The accounting principle that requires accounting information to be based on actual cost instead of current value, is the:
a. Accounting equation.
b. Cost principle.
c. On - Going-concern principle.
d. Accrual principle.
e. Consistency principle.

100. **b** QN=271 If assets are $199,000 and liabilities are $132,000, then equity equals
a. $32,000.
b. $67,000.
c. $99,000.
d. $131,000.
e. $198,000.

101. **b** QN=273 Assets created by selling goods and services on credit are:
a. Accounts payable.
b. Accounts receivable.
c. Liabilities.
d. Expenses.
e. Equity.

102. **b** QN=199 A method of valuing inventory in which the items acquired last are treated as the ones sold first. What is it?
a. FIFO
b. LIFO
c. Weighted Average
d. Specific method
e. None of these

103. **b** QN=274 Photometer Company paid off $30,000 of its accounts payable in cash. What would be the effects of this transaction on the accounting equation?
a. Assets, $30,000 increase; liabilities, no effect; equity, $30,000 increase.
b. Assets, $30,000 decrease; liabilities, $30,000 decrease; equity, no effect.
c. Assets, $30,000 decrease; liabilities, $30,000 increase; equity, no effect.
d. Assets, no effect; liabilities, $30,000 decrease; equity, $30,000 increase.
e. Assets, $30,000 decrease; liabilities, no effect; equity $30,000 decrease.

104. **b** QN=1 78 Net Sales minus Cost of Goods Sold equals to:
a. Profit
b. Gross profit
c. Net income
d. Profit before tax
e. Profit after tax

105. **b** QN=180
a. Ending inventory is equal to merchandise available for sale minus beginning inventory.
b. Ending inventory is equal to merchandise available for sale minus cost of goods sold.
c. Ending inventory is equal to merchandise available for sale minus net cost of purchases.
d. Beginning inventory is equal to merchandise available for sale minus cost of goods sold.
e. None of these.

106. **b** QN=184 Which statement is true?
a. Total asset cost plus accumulated depreciation equals book value.
b. Total asset cost minus accumulated depreciation equals book value.
c. Total asset plus depreciation expense equals book value.
d. Total asset minus depreciation expense equals book value.
e. None of these.

107. **b** QN=1 90 J. Awn, the proprietor of Awn Services, withdrew $8,700 from the business during the current year. The entry to close the withdrawals account at the end of the year, is:
a. Debit withdrawal 8,700 and credit cash $ 8,700
b. Debit capital $8,700 and credit withdrawal $ 8,700
c. Debit capital $8,700 and credit expense $ 8,700
d. Debit expense $8,700 and credit income $ 8,700
e. Credit capital $8,700 and debit withdrawal $ 8,700

108. **b** QN=1 94 Something of value that cannot be physically touched, such as a brand, franchise, trademark, or patent is the definition of:
a. Tangible assets
b. Intangible assets
c. Fixed assets
d. Current assets
e. Non - current assets

109. **b** QN=228 A company has sales of $350,000, Account Receivable of 50,000 and estimates that 0.7% of its sales are uncollectible. The estimated amount of bad debts expense is
a. $350
b. $2,450.
c. $3,450.
d. $300
e. $530

110. **b.** QN=121 Unearned revenue is reported in the financial statements as:
a. Revenue on the balance sheet.
b. A liability on the balance sheet.
c. Unearned revenue on the income statement.
d. An asset on the balance sheet.
e. An operating activity on the statement of cash flows

111. **b** QN=172 Which discounts are offered based on quantities purchased
a. Credit discounts
b. Trade discounts
c. Purchase discounts
d. Payment discounts
e. None of these

112. **b** QN=13 A company had inventory of 10 units at a cost of $20 each on November 1. On November 2, it purchased 10 units at $21 each. On November 6 it purchased 15 units at $25 each. On November 8, it sold 20 units for $54 each. Using the LIFO perpetual inventory method, what was the cost of the 20 units sold?
a. $395.
b. $480.
c. $375.
d. $510.
e. $520.

113. **b** QN=101 The accounting principle that requires revenue to be reported when earned is the:
a. Matching principle.
b. Revenue recognition principle.
c. Time period principle.
d. Accrual reporting principle.
e. Going-concern principle.

114. **b** QN=55 The description of the relation between a company's assets, liabilities, and equity, which is expressed as Assets = Liabilities + Equity, is known as the:
a. Income statement equation.
b. Accounting equation.
c. Business equation.
d. Net income.
e. Trial balance.
f. Balance sheet.

115. **b** QN=62 Assets created by selling goods and services on credit are:
a. Accounts payable.
b. Accounts receivable.
c. Liabilities.
d. Expenses
e. Equity.

116. **b** QN=78 An account used to record the owner's investments in the business is called a(n):
a. Withdrawals account.
b. Capital account.
c. Revenue account.
d. Expense account.
e. Liability account.

117. **b** QN=79 Withdrawal account, revenues account, expenses account and income summary account are
a. Permanent accounts
b. Temporary accounts
c. Equity accounts
d. Closing accounts
e. None of these above

118. **b** QN=11 A company has inventory of 10 units at a cost of $10 each on June 1. On June 3, it purchased 20 units at $12 each. 12 units are sold on June 5. Using the FIFO perpetual inventory method, what is the cost of the 12 units that were sold?
a. $120.
b. $124.
c. $128.
d. $130.
e. $140.

119. **b** QN=94 On September 30, the Cash account of Value Company had a normal balance of $5,000. During September, the account was debited for a total of $12,200 and credited for a total of $11,500. What was the balance in the Cash account at the beginning of September?
a. A $0 balance.
b. A $4,300 debit balance.
c. A $4,300 credit balance.
d. A $5,700 debit balance.
e. A $5,700 credit balance.

120. **b** QN=58 A payment to an owner for personal use is called a(n):
a. Liability.
b. Withdrawal.
c. Expense.
d. Contribution.
e. Investment.

121. **b** QN=106 Prepaid expenses, depreciation, accrued expenses, unearned revenues, and accrued revenues are all examples of:
a. Items that require contra accounts.
b. Items that require adjusting entries.
c. Asset and equity.
d. Asset accounts.
e. Income statement accounts.

122. **b** QN=80 The account used to record the transfers of assets from a business to its owner is:
a. A revenue account.
b. The owner's withdrawals account.
c. The owner's capital account.
d. An expense account.
e. A liability account.

123. **b** QN=93 An asset created by prepayment of an expense is:
a. Recorded as a debit to an unearned revenue account.
b. Recorded as a debit to a prepaid expense account.
c. Recorded as a credit to an unearned revenue account.
d. Recorded as a credit to a prepaid expense account.
e. Not recorded in the accounting records until the earnings process is complete.

124. **b** QN=290 Adjusting depreciation expense of fixed asset at $8,000. Recording this transaction:
a. Debit depreciation $8,000 and credit accumulated depreciation expense $,8000
b. Debit depreciation expense $8,000 and credit accumulated depreciation expense $,8000
c. Debit depreciation expense $8,000 and credit fixed asset $,8000
d. Debit depreciation expense $8,000 and credit accumulated asset $,8000
e. None of these

125. **b** QN=100 At the beginning of January of the current year, Thomas Law Center's ledger reflected a normal balance of $52,000 for accounts receivable. During January, the company collected $14,800 from customers on account and provided additional services to customers on account totaling $12,500. Additionally, during January one customer paid Thomas $5,000 for services to be provided in the future. At the end of January, the balance in the accounts receivable account should be:
a. $54000
b. $49700
c. $52000
d. $54700
e. $49000

126. **b** QN=73 A company acquires equipment for $75,000 cash. This represents a(n):
a. Operating activity.
b. Investing activity.
c. Financing activity.
d. Revenue activity.
e. Expense activity.

127. **b** QN=245 The account used to record the transfers of assets from a business to its owner (personal use) is:
a. A revenue account.
b. The owner's withdrawals account.
c. The owner's capital account.
d. An expense account.
e. A liability account.

128. **b** QN=285 Provide descriptions for this transaction:
Debit insurance expense $8,000 and credit Insurance - prepaid expense $,8000
a. Paid insurance fee by cash $8,000
b. Adjusting prepaid expense at the end of period $8,000
c. Arrange insurance contract on credit $8,000
d. Arrange inventory contract by cash $8,000
e. None of these

129. **b** QN=8 A company had the following purchases during the current year:
Jan: 10 units at $ 120
Feb: 20 units at $130
May: 15 units at $140
Sep: 12 units at $150
Nov: 10 units at $160
On December 31, there were 26 units remaining in ending inventory. These 26 units consisted of 2 from January, 4 from February, 6 from May, 4 from September, and 10 from November. Using the specific identification method, what is the cost of the ending inventory?
a. $3,500.
b. $3,800.
c. $3,960.
d. $3,280.
e. $3,640.

130. **b** QN=70 If assets are $365,000 and equity is $120,000, then liabilities are:
a. $120,000.
b. $245,000.
c. $365,000.
d. $485,000.
e. $610,000.

131. **b** QN=281 Provide descriptions for this transaction:
Debit office supplies $8,000 and credit liability $,8000
a. Buying office supplies by cash $8,000
b. Buying office supplies on credit $8,000
c. Arrange office supplies contract on credit $8,000
d. Arrange office supplies contract by cash $8,000
e. None of these

132. **b** QN= 97 The following transactions occurred during July:
1. Received $900 cash for services provided to a customer during July.
2. Received $2,200 cash investment from Barbara Hanson, the owner of the business.
3. Received $750 from a customer in partial payment of his account receivable which arose from sales in June.
4. Provided services to a customer on credit, $375.
5. Borrowed $6,000 from the bank by signing a promissory note.
6. Received $1,250 cash from a customer for services to be rendered next year.
What was the amount of revenue for July?
a. $ 900.
b. $ 1,275.
c. $ 2,525.
d. $ 3,275.
e. $11,100.

133. **b** QN=16 A company has inventory of 10 units at a cost of $10 each on June 1. On June 3, it purchased 20 units at $12 each. 12 units are sold on June 5. Using the FIFO periodic inventory method, what is the cost of ending inventories?
a. $120.
b. $216.
c. $128.
d. $130.
e. $140.

134. **b** QN=241 Invested $10,000 cash, and $15,000 of computer equipment. Prepare journal entries to record the above transactions
a. Debit Cash $ 25,000
Credit Capital $25,000
b. Debit Cash $ 10,000
Debit Equipment $ 15,000
Credit Capital $25,000
c. Credit Cash $ 10,000
Credit Equipment $ 15,000
QN=242 On June 1, paid $200 cash for office supplies. Prepare journal entries to record the above transactions on June 1.
a. Debit Cash $ 200
Credit office supplies $200
b. Debit office supplies expense $200
Credit Cash $ 200
c. Debit Cash $ 200
Credit office supplies expense $200
d. Debit equipment $200
Credit Cash $ 200
e. Debit office supplies $200
Credit Cash $ 200

135. **b** QN=278 A company might buy a service or product on credit. "On credit" implies that the cash payment will occur:
a. On buying day
b. on a later date
c. on previous day
d. No due date
e. No obligation to pay

136. **b** QN=22 A company had inventory of 10 units at a cost of $20 each on November 1. On November 2, it purchased 10 units at $22 each. On November 6 it purchased 6 units at $25 each. On November 8, it sold 22 units for $54 each. Using the FIFO perpetual inventory method, what was the cost of the 22 units sold?
a. $570
b. $470
c. $670
d. $370
e. $740

137. **b** QN=280 Provide descriptions for this transaction:
Debit office supplies $2,000 and credit liability $,2000
a. Buying office supplies by cash $2,000
b. Buying office supplies on credit $2,000
c. Arrange office supplies contract on credit $2,000
d. Arrange office supplies contract by cash $2,000
e. None of these

138. **b** QN=51 Gross increases in equity from a company's earnings activities are:
a. Assets.
b. Revenues.
c. Liabilities.
d. Owner's Equity.
e. Expenses.

139. **b** QN=95 On April 30, Holden Company had an Accounts Receivable balance of $18,000. During the month of May, total credits to Accounts Receivable were $52,000 from customer payments. The May 31 Accounts Receivable balance was $13,000. What was the amount of credit sales during May?
a. $ 5,000.
b. $47,000.
c. $52,000.
d. $57,000.
e. $32,000.

140. **b** QN=282 Provide descriptions for this transaction:
Debit inventory $8,000 and credit liability $,8000
a. Buying inventory by cash $8,000
b. Buying inventory on credit $8,000
c. Arrange inventory contract on credit $8,000
d. Arrange inventory contract by cash $8,000
e. None of these

141. **b** QN=238 Provide descriptions for this transaction:
Debit cash $ 5,000 and Credit Account Receivable $5,000
a. Buying on credit.
b. Received cash for an account receivable.
c. Buying for cash.
d. Selling for cash.
e. Selling on credit.

142. **b** QN=283 Provide descriptions for this transaction:
Debit inventory $8,000 and credit liability $,8000
a. Buying inventory by cash $8,000
b. Buying inventory on credit $8,000
c. Arrange inventory contract on credit $8,000
d. Arrange inventory contract by cash $8,000
e. None of these

143. **b** QN=19 A company that uses a perpetual inventory system made the following cash purchases and sales:
Jan, 1: Purchased 100 units at $10 per unit.
Feb, 5: Purchased 60 units at $12 per unit.
March, 16: Sold 40 units for $ 16 per unit.
Prepare general journal entries to record the March 16 sale assuming a cash sale and the FIFO method is used.
a. March 16
Dr Cash 400
Cr Sale revenue 400
Dr COGS 640
Cr Inventories 640
b. March 16
Dr Cash 640
Cr Sale revenue 640
Dr COGS 400
Cr Inventories 400
c. March 16
Dr Sale revenue 640
Cr Cash 640
Dr COGS 400
Cr Inventories 400
d. March 16
Dr Sale revenue 640
Cr Cash 640
Dr Inventories 400
Cr COGS 400
e. None of these

144. **c** QN=89 Which is true about An account balance:
a. Always a debit.
b. Is the difference between the total debits and total credits for an account
c. Is the difference between the total debits and total credits for an account including the beginning balance
d. None of these
e. Always a credit.

145. **c** QN=90 Of the following accounts, the one that normally has a credit balance is:
a. Cash.
b. Office Equipment.
c. Sales Salaries Payable.
d. Owner, Withdrawals.
e. Sales Salaries Expense.

146. **c** QN=268 The difference between a company's assets and its liabilities is:
a. Net income.
b. Expense.
c. Equity.
d. Revenue.
e. Net loss.

147. **c** QN= 249 The business completed these transactions:
1. Investing $20,000 cash and a building valued at $100,000.
2. Purchased $10,000 of a truck on credit.
3. Paid $20,000 cash for raw material.
4. Selling products and collected$40,000 cash.
What was the balance of the cash account after these transactions were posted?
a. $130,000
b. $30,000
c. $40,000
d. $140,000
e. $120,000

148. **c** QN=218 Which accounts don't need to do closing entries?
a. Revenue
b. Income Summary
c. Intangible asset
d. Withdrawals
e. Expense

149. **c** QN=220 Which statement is true?
a. Revenue and expense accounts are permanent accounts and should be closed at the end of the accounting period.
b. Revenue and withdrawal accounts are permanent accounts and should be closed at the end of the accounting period.
c. Revenue and expense accounts are temporary accounts and should be closed at the end of the accounting period.
d. Revenue and asset accounts are temporary accounts and should be closed at the end of the accounting period.
e. Liability and asset accounts are temporary accounts and should be closed at the end of the accounting period.

150. **c** QN=96 During the month of February, Hoffer Company had cash receipts of $7,500 and cash disbursements of $8,600. The February 28 cash balance was $1,800. What was the January 31 beginning cash balance?
a. $700.
b. $1,100.
c. $2,900.
d. $0.
e. $4,300.

151. **c** QN=255 Office supplies available at the beginning of the year are 0. During the year, the company purchased $250 of office supplies. On December 31, $90 of office supplies
remained. How much should the company report as office supplies expense for the year?
a. $75.
b. $125.
c. $160
d. $250.
e. $325.

152. **c** QN=254 A company had no office supplies available at the beginning of the year. During the year, the company purchased $250 of office supplies. On December 31, $75 of office supplies remained. How much should the company report as office supplies expense for
the year?
a. $75.
b. $125.
c. $175.
d. $250.
e. $325.

153. **c** QN=88 Which of the following statements is correct?
a. The left side of a T-account is the credit side.
b. Debits decrease asset and expense accounts, and increase liability, equity, and revenue accounts.
c. The left side of a T-account is the debit side.
d. Credits increase asset and expense accounts, and decrease liability, equity, and revenue accounts.
e. In certain circumstances the total amount debited need not equal the total amount
credited for a particular transaction

154. **c** QN=81 Unearned revenues are:
a. Revenues that have been earned and received in cash.
b. Revenues that have been earned but not yet collected in cash.
c. Liabilities created when a customer pays in advance for products or services before the revenue is earned.
d. Recorded as an asset in the accounting records.
e. Increases to owners' capital.

155. **c** QN=217 Which accounts don't need to do closing entries?
a. Revenue
b. Income Summary
c. Non - current Liability
d. Withdrawals
e. Expense

156. **c** QN=187 Which accounts used to record amounts owed to suppliers for products or services purchased on credit?
a. Unearned revenue
b. Trade account receivable
c. Trade accounts payable
d. Revenue
e. prepayment

157. **c** QN=17 A company has inventory of 20 units at a cost of $12 each on August 1. On August 5, it purchased 10 units at $13 per unit. On August 12 it purchased 15 units at $14 per unit. On August 15, it sold 30 units. Using the FIFO periodic inventory method, what is the value of Cost of goods sold on August 15?
a. $140.
b. $160.
c. $370.
d. $210.
e. $590.

158. **c** QN=1 95 Accounts receivable that may become uncollectable and will be written off , is known as:
a. Expense
b. Account receivable
c. Bad debts
d. Debts
e. Uncollectable account

159. **c** QN=15 Given the following information, determine the cost of the inventory at June 30 using the LIFO perpetual inventory method.
June, 1: Beginning inventory 15 units at $20 each
June, 15: Sale of 6 units at $50
June, 29: Purchased of 8 units at $25
The cost of goods sold is :
a. $200.
b. $220.
c. $120.
d. $275.
e. $300.

160. **c** QN=23 Which of the following is not considered as subcategory of owner's Equity?
a. Revenue
b. Withdrawal
c. Assets
d. Expense
e. Contributed capital

161. **c** QN=24 The properties used in operation activities of a business is call:
a. Revenue
b. Withdrawal
c. Assets
d. Expense
e. Liabilities

162. **c** QN=14 Acme-Jones Company uses a weighted-average perpetual inventory system.
August 2, 8 units were purchased at $12 per unit.
August 18, 15 units were purchased at $14 per unit.
August 29, 20 units were sold.
August 31, 10 units were purchased at $16 per unit.
What is the per-unit value of ending inventory on August 31?
a. $12.00.
b. $13.30.
c. $15.38.
d. $16.00.
e. $17.74.

163. **c** QN=77 A company's balance sheet shows: cash $22,000, accounts receivable $16,000, office equipment $50,000, and accounts payable $17,000. What is the amount of owner's equity?
a. $17,000.
b. $29,000.
c. $71,000.
d. $88,000.
e. $105,000.

164. **c** QN=12 A company has inventory of 15 units at a cost of $2 each on August 1. On August 5, it purchased 10 units at $3 per unit. On August 12 it purchased 20 units at $4 per unit. On August 15, it sold 30 units. Using the FIFO perpetual inventory method, what is the value of the inventory at August 15 after the sale?
a. $140.
b. $80.
c. $60.
d. $30.
e. $70.

165. **c** QN=216 Which accounts don't need to do closing entries?
a. Revenue
b. Income Summary
c. Current Liability
d. Withdrawals
e. Expense

166. **c** QN=182 Which of the following assets is not depreciated?
a. Vehicle
b. Machine
c. Inventory
d. Buildings
e. All of these are depreciated

167. **c** QN=181 An estimate of an asset's value at the end of its benefit period is called:
a. Asset at cost
b. Book value
c. Salvage value
d. Depreciation expense
e. expense

168. **c** QN=1 79 Which statement is true:
a. Merchandise available for sale includes Beginning inventory and ending inventory.
b. Merchandise available for sale includes Beginning inventory and cost of goods sold.
c. Merchandise available for sale includes Beginning inventory and Net cost of purchases.
d. Merchandise available for sale includes ending inventory and Net cost of purchases.
e. None of these

169. **c** QN=10 Acme-Jones Corporation uses a weighted-average perpetual inventory system.
August 2, 10 units were purchased at $12 per unit.
August 18, 15 units were purchased at $14 per unit.
August 29, 12 units were sold.
What was the amount of the cost of goods sold for this sale?
a. $148.00.
b. $150.50.
c. $158.40.
d. $210.00.
e. $330.00.

170. **c** QN=84 The right side of a T-account is a(n):
a. Debit.
b. Increase.
c. Credit.
d. Decrease.
e. Account balance.

171. **c** QN=212 Which accounts belong to Permanent Accounts ?
a. Revenue, asset, liability
b. Revenue, expense, income summary
c. Asset, liability, owner capital
d. Revenue, expense, withdrawal
e. Asset, liability, revenue

172. **c** QN=5 Which of the following inventory costing methods will always result in the same values for ending inventory and cost of goods sold regardless of whether a perpetual or periodic inventory system is used?
a. FIFO and LIFO
b. LIFO and weighted-average cost
c. Specific identification and FIFO
d. FIFO and weighted-average cost
e. LIFO and specific identification

173. **c** QN=99 Zed Bennett opened an art gallery and as a dealer completed these transactions:
1. Started the gallery, Artery, by investing $40,000 cash and equipment valued at $18,000.
2. Purchased $70 of office supplies on credit.
3. Paid $1,200 cash for the receptionist's salary.
4. Sold a painting for an artist and collected a $4,500 cash commission on the sale.
5. Completed an art appraisal and billed the client $200.
What was the balance of the cash account after these transactions were posted?
a. $12,230.
b. $12,430.
c. $43,300.
d. $43,430.
e. $61,430.

174. **c** QN=43 Which of the following accounting principles would require that all goods and services purchased should be recorded at cost?
a. Going-concern principle.
b. Continuing-concern principle.
c. Cost principle.
d. Business entity principle.
e. Consideration principle.

175. **c** QN=291 Taylor Company uses the direct write-off method of recording uncollectible accounts receivable. Recently, a customer informed Taylor that he would be unable to pay $300 owed to Taylor. Taylor's proper journal entry to reflect this event would be:
a. Dr. Uncollectible Accounts Expense 300
Cr. Allowance. for Uncollectible Accounts 300
b. Dr. Allowance. for Uncollectible Accounts 300
Cr. Accounts Receivable 300
c. Dr. Uncollectible Accounts Expense 300
Cr. Accounts Receivable 300
d. Dr. revenue 300
Cr. Accounts Receivable 300
e. None of these

176. **c** QN=103 The system of preparing financial statements based on recognizing revenues when the cash is received and reporting expenses when the cash is paid is called:
a. Accrual basis accounting.
b. Operating cycle accounting.
c. Cash basis accounting.
d. Revenue recognition accounting.
e. Current basis accounting.

177. **c** QN=72 A balance sheet lists:
a. The types and amounts of the revenues and expenses of a business.
b. Only the information about what happened to equity during a time period.
c. The types and amounts of assets, liabilities, and equity of a business as of a specific date.
d. The inflows and outflows of cash during the period.
e. The assets and liabilities of a company but not the owner's equity.

178. **c** QN=74 A company borrows $125,000 from the Eastside Bank and receives the loan proceeds in cash. This represents a(n):
a. Operating activity.
b. Investing activity.
c. Financing activity.
d. Revenue activity.
e. Expense activity.

179. **c** QN=236 Provide descriptions for this transaction:
Debit supplies $1,000 and Credit Account Payable $1,000
a. Used supplies.
b. Purchased supplies.
c. Purchased supplies on credit.
d. Counted supplies.
e. Transfer supplies into inventory.

180. **c** QN=138 The J. Godfrey, Capital account has a credit balance of $17,000 before closing entries are made. If total revenues for the period are $55,200, total expenses are $39,800, and withdrawals are $9,000, what is the ending balance in the J. Godfrey, Capital account after all closing entries are made?
a. $ 8,000.
b. $15,400.
c. $23,400.
d. $17,000.
e. $32,400.

181. **c** QN=1 73 Which discounts are provided to customers as an incentive for them to pay early
a. Credit discounts
b. Trade discounts
c. Purchase discounts
d. Payment discounts
e. None of these

182. **c** QN=136 Assets, liabilities, and equity accounts are not closed; these accounts are called:
a. Nominal accounts.
b. Temporary accounts.
c. Permanent accounts.
d. Contra accounts.
e. Accrued accounts.

183. **c** QN=102 Adjusting entries:
a. Affect only income statement accounts.
b. Affect only balance sheet accounts.
c. Affect both income statement and balance sheet accounts.
d. Affect only cash flow statement accounts.
e. Affect only equity accounts.

184. **c** QN=130 If accrued salaries were recorded on December 31 with a credit to Salaries Payable, the entry to record payment of these wages on the following January 5 would include:
a. A debit to Cash and a credit to Salaries Payable.
b. A debit to Cash and a credit to Prepaid Salaries.
c. A debit to Salaries Payable and a credit to Cash.
d. A debit to Salaries Payable and a credit to Salaries Expense.
e. No entry would be necessary on January 5.

185. **c** QN=69 If a company paid $38,000 of its accounts payable in cash, what was the effect on the assets, liabilities, and equity?
a. Assets would decrease $38,000, liabilities would decrease $38,000, and equity would decrease $38,000.
b. Assets would decrease $38,000, liabilities would decrease $38,000, and equity would increase $38,000.
c. Assets would decrease $38,000, liabilities would decrease $38,000, and equity would not change.
d. There would be no effect on the accounts because the accounts are affected by the same amount.
e. None of these.

186. **c** QN=108 An adjusting entry could be made for each of the following except:
a. Prepaid expenses.
b. Depreciation.
c. Owner withdrawals.
d. Unearned revenues.
e. Accrued revenues.

187. **c** QN=166 The seller is responsible for the costs of shipping its goods to the buyer when the terms of the sale are FOB:
a. Shipping board
b. Shipping point
c. Destination
d. On board
e. None of these

188. **c** QN=124 On May 1, 2009 Giltus Advertising Company received $1,500 from Julie Bee for advertising services to be completed April 30, 2010. The Cash receipt was recorded as unearned fees and at December 31, 2009, $1,000 of the fees had been earned. The adjusting entry on December 31 Year 1 should include:
a. A debit to Unearned Fees for $500.
b. A credit to Unearned Fees for $500.
c. A credit to Earned Fees for $1,000.
d. A debit to Earned Fees for $1,000.
e. A debit to Earned Fees for $500.

189. **c** QN=110 An adjusting entry could be made for each of the following except:
a. Prepaid expenses.
b. Depreciation.
c. Cash.
d. Unearned revenues.
e. Accrued revenues.

190. **c** QN=1 19 A company had no office supplies available at the beginning of the year. During the year, the company purchased $250 worth of office supplies. On December 31, $75 worth of office supplies remained. How much should the company report as office supplies expense for the year?
a. $75.
b. $125.
c. $175.
d. $250.
e. $325.

191. **c** QN=1 17 If throughout an accounting period the fees for legal services paid in advance by clients are recorded in an account called Unearned Legal Fees, the end-of-period adjusting entry to record the portion of those fees that has been earned is:
a. Debit Cash and credit Legal Fees Earned.
b. Debit Cash and credit Unearned Legal Fees.
c. Debit Unearned Legal Fees and credit Legal Fees Earned.
d. Debit Legal Fees Earned and credit Unearned Legal Fees.
e. Debit Unearned Legal Fees and credit Accounts Receivable.

192. **c** QN=1 16 Prior to recording adjusting entries, the Office Supplies account had a $359 debit balance. A physical count of the supplies showed $105 of unused supplies available. The required adjusting entry is:
a. Debit Office Supplies $105 and credit Office Supplies Expense $105.
b. Debit Office Supplies Expense $105 and credit Office Supplies $105.
c. Debit Office Supplies Expense $254 and credit Office Supplies $254.
d. Debit Office Supplies $254 and credit Office Supplies Expense $254.
e. Debit Office Supplies $105 and credit Supplies Expense $254.

193. **c** QN=1 49 Which of the following accounts is not increased by a credit
a. Revenue
b. Liability
c. Asset
d. Owner's equity
e. None of these

194. **c** QN=20 A company that uses a perpetual inventory system made the following cash purchases
and sales:
Jan, 1: Purchased 100 units at $10 per unit.
Feb, 5: Purchased 60 units at $12 per unit.
March, 16: Sold 40 units for $ 16 per unit.
Prepare the general journal entry to record the March 16 sale assuming a cash sale
and the LIFO method is used:
a. Dr Cash 640
Cr Sale revenue 640
Dr COGS 450
Cr Inventories 450
b. Dr Cash 640
Cr Sale revenue 640
Dr COGS 840
Cr Inventories 840
c. Dr Cash 640
Cr Sale revenue 640
Dr COGS 480
Cr Inventories 480
d. Dr Sale revenue 640
Cr cash 640
Dr COGS 480
Cr Inventories 480
e. None of these

195. **c** QN=292 Branz Company had credit sales during the current year which amounted to $700,000.
Historically, 3% of credit sales are uncollectible. If Branz uses the allowance method of recording uncollectible accounts, a proper journal entry for the year would be:
a. Dr. Accounts Receivable 21,000
Cr. Allow. for Uncollectible Accounts 21,000
b. Dr. Uncollectible Accounts Expense 21,000
Cr. Accounts Receivable 21,000
c. Dr. Uncollectible Accounts Expense 21,000
Cr. Allow. for Uncollectible Accounts 21,000
d. Dr. Allow. for Uncollectible Accounts 21,000
Cr. Accounts Receivable 21,000
e. None of these

196. **c** QN=60 The assets of a company total $700,000; the liabilities, $200,000. What are the claims of the owners?
a. $900,000.
b. $700,000.
c. $500,000.
d. $200,000.
e. It is impossible to determine unless the amount of this owners' investment is known.

197. **c** QN=36 Thomas Enterprises purchased a depreciable asset on January 1, 2008 at a cost of
$100,000.
The asset is expected to have a salvage value of $15,000 at the end of its five-year useful
life. Balance of accumulated depreciation of this asset at the end of 2009 is
a. $27540
b. $21600
c. $34000
d. $17000
e. $90000

198. **c** QN=298 The proper journal entry to record Ransom Company's billing of clients for $500 of services rendered is:
a. Dr. Cash 500
Cr. Accounts Receivable 500
b. Dr. Accounts Receivable 500
Cr. capital Stock 500
c. Dr. Accounts Receivable 500
Cr. Service Revenue 500
d. Dr. Cash 500
Cr. Service Revenue 500
e. None of these

199. **c** QN=297 Of the following account types, which would be increased by a debit?
a. Liabilities and expenses.
b. Assets and equity.
c. Assets and expenses.
d. Equity and revenues.
e. None of these

200. **c** QN=56 Another name for equity is:
a. Net income.
b. Expenses.
c. Net asset.
d. Revenue.
e. Net loss.

201. **c** QN=32 The company has $1679 credit sales at year end. Experiences show that 4% of credit sales may not be collectable. What is the estimated bad debt expense to be record at year end?
a. $1200
b. $419
c. $67.16
d. $100
e. None of these

202. **c** QN=52 The difference between a company's assets and its liabilities, or net assets is:
a. Net income.
b. Expense.
c. Equity.
d. Revenue.
e. Net loss.

203. **c** QN=29 A company has $20,000 in outstanding accounts receivable and it uses the allowance method to account for uncollectible accounts. Experience suggests that 6% of outstanding receivables are uncollectible. The current debit balance (before adjustments) in the allowance for doubtful accounts is $800. The journal entry to record the adjustment to the allowance account includes a debit to Bad Debts Expense for:
a. $1200
b. $500
c. $400
d. $1000
e. None of these

204. **c** QN=47 An example of an investing activity is
a. Paying wages of employees.
b. Withdrawals by the owner.
c. Purchase of land.
d. Selling inventory.
e. Contribution from owner.

205. **c** QN=300 Realistic Company purchased a new truck on January 1, 20X1. The truck cost $20,000, has a four-year life, and a $4,000 residual value. The company has a December 31 year end. If Realistic Company depreciates the truck by the straight-line method, how much should Realistic report as the book value of the truck at the end of 20X3?
a. $1,600
b. $4,000
c. $8,000
d. $16,000
e. $15,000

206. **c** QN=65 Viscount Company collected $42,000 cash on its accounts receivable. The effects of this transaction as reflected in the accounting equation are:
a. Total assets decrease and equity increases.
b. Both total assets and total liabilities decrease.
c. Total assets, total liabilities, and equity are unchanged.
d. Both total assets and equity are unchanged and liabilities increase.
e. Total assets increase and equity decreases.

207. **d** QN=225 The inventory valuation method that identifies each item in ending inventory with a specific purchase and invoice is the:
a. Weighted average inventory method.
b. First-in, first-out method.
c. Last-in, first-out method.
d. Specific identification method.
e. Retail inventory method.

208. **d** QN=299 The trial balance:
a. Is a formal financial statement.
b. Is used to prove that there are no errors in the journal or ledger.
c. Provides a listing of every account in the chart of accounts.
d. Provides a listing of the balance of each ledger account.
e. None of these

209. **d** QN=171 The inventory system continually updates accounting records for merchandising transactions.
a. FIFO inventory system
b. LIFO inventory system
c. Weighted inventory system
d. Perpetual inventory system
e. Periodic inventory system

210. **d** QN=152 A record of financial transactions in order by date and often defined as the book of original entry. This statement is about:
a. None of these
b. A Ledger
c. A Source document
d. A General journal
e. An Income statement

211. **d** QN=164 When a sale is made with the credit terms of 2/10, net 30, the "2" refers to the:
a. Interest rate
b. Selling day
c. Payment Due date
d. Discount rate
e. None of these

212. **d** QN=219 Which accounts don't need to do closing entries?
a. Revenue
b. Income Summary
c. Withdrawals
d. Gross profit
e. Expense

213. **d** QN=162 A liability account that reports amounts received in advance of providing goods or services. It is about:
a. Prepaid expense
b. Liability
c. Revenue
d. Unearned revenue
e. None of these

214. **d** QN=211 Which accounts belong to Temporary Accounts?
a. Asset, liability, withdrawal, income summary
b. Revenue, asset, withdrawal, income summary
c. Revenue, expense, liability, income summary
d. Revenue, expense, withdrawal, income summary
e. Revenue, expense, withdrawal, asset

215. **d** QN=296 Hefty Company wants to know the effect of different inventory methods on financial
statements. Given below is information about beginning inventory and purchases for the current year.
January 2 Beginning Inventory: 500 units at $3.00
April 7 Purchased : 1,100 units at $3.20
June 30 Purchased : 400 units at $4.00
December 7 Purchased : 1,600 units at $4.40
Sales during the year were 2,700 units at $5.00. If Hefty used the periodic LIFO method, cost of goods sold would be:
a. $2,780
b. $3,960
c. $9,700
d. $10,880
e. $10,000

216. **d** QN=288 Provide descriptions for this transaction:
Debit unearned revenue $8,000 and credit revenue $,8000
a. Received payment in advance from customers $8,000
b. Paid in advance for supplies by cash $8,000
c. Adjusting expense at the end of period $8,000
d. Adjusting unearned revenue at the end of period $8,000
e. None of these

217. **d** QN=289 Provide descriptions for this transaction:
Debit unearned revenue $8,000 and credit revenue $8,000
a. Received payment in advance from customers $8,000
b. Paid in advance for supplies by cash $8,000
c. Adjusting expense at the end of period $8,000
d. Adjusting unearned revenue at the end of period $8,000
e. None of these

218. **d** QN=293 Flynn Company uses an allowance method for recording uncollectible. At the due date of that account receivable, Flynn determined that $4,000 due from Mitchell will not be collected and should be write off. The entry Flynn should record to write off the Mitchell
account is:
a. Dr. Uncollectible Accounts Expense 4,000
Cr. Accounts Receivable 4,000
b. Dr. revenue 4,000
Cr. Accounts Receivable 4,000
c. Dr. Uncollectible Accounts Expense 4,000
Cr. Allow. for Uncollectible Accounts 4,000
d. Dr. Allow. for Uncollectible Accounts 4,000
Cr. Accounts Receivable 4,000
e. None of these

219. **d** QN=246 If Jones, the owner of Hardware company, uses cash of the business to purchase a family car, the business should record this use of cash with an entry to:
a. Debit Expense and credit Cash.
b. Credit Expense and Debit Cash.
c. Debit Cash and credit Withdrawals.
d. Debit Withdrawals and credit Cash.
e. Debit car and credit Cash.

220. **d** QN=222 Which statement is true?
a. Current liabilities include accounts receivable, unearned revenues, and salaries payable.
b. Current liabilities include prepayment, unearned revenues, and salaries payable.
c. Current liabilities include revenue, unearned revenues, and salaries payable.
d. Current liabilities include accounts payable, unearned revenues, and salaries payable.
e. Current liabilities include expense, unearned revenues, and salaries payable.

221. **d** QN=247 If Smith, the owner of a restaurant, uses cash of the business to pay for renting his house, the business should record this use of cash with an entry to:
a. Debit Expense and credit Cash.
b. Credit Expense and Debit Cash.
c. Debit Cash and credit Withdrawals.
d. Debit Withdrawals and credit Cash.
e. Debit car and credit Cash.

222. **d** QN=1 75 A company must record its expenses incurred to generate the revenue reported.
It is about:
a. Going-Concern Assumption
b. Business Entity Assumption
c. Time Period Assumption
d. Matching Principle
e. Cost Principle

223. **d** QN=113 An adjusting entry could be made for each of the following except:
a. Prepaid expenses.
b. Depreciation.
c. Unearned revenues.
d. Cost of goods sold.
e. Accrued revenues.

224. **d** QN=21 A company that uses a perpetual inventory system made the following cash purchases
and sales:
Jan, 1: Purchased 100 units at $10 per unit.
Feb, 5: Purchased 60 units at $12 per unit.
March, 16: Sold 40 units for $ 16 per unit.
Prepare the general journal entry to record the March 16 sale assuming a cash sale and
the weighted average method is used.
a. Dr Cash 640
Cr Sale revenue 640
Dr COGS 450
Cr Inventories 450
b. Dr Cash 640
Cr Sale revenue 640
Dr COGS 340
Cr Inventories 340
c. Dr Cash 640
Cr Sale revenue 640
Dr COGS 470
Cr Inventories 470
d. Dr Cash 640
Cr Sale revenue 640
Dr COGS 430
Cr Inventories 430
e. None of these

225. **d** QN=1 43 After preparing and posting the closing entries to close revenues (and gains) and expenses (and losses) into the income summary, the income summary account has a
debit balance of $33,000. The entry to close the income summary account will include:
a. A debit of $33,000 to owner withdrawals.
b. A credit of $33,000 to owner withdrawals.
c. A debit of $33,000 to income summary.
d. A debit of $33,000 to owner capital.
e. A credit of $33,000 to owner capital.

226. **d** QN=243 Textron Stores purchased a van that cost $35,000. The firm made a payment of $5,000
cash and the balance on credit. Show the general journal entry to record this transaction.
a. Debit Cash $5,000
Debit Account payable $30,000
Credit Van $35,000
b. Debit Cash $5,000
Debit Account payable $30,000
Credit van $ 35,000
c. Debit Van $ 5,000
Credit Cash $5,000
d. Debit Van $35,000
Credit Cash $5,000
Credit Account payable $30,000
e. Debit Van $30,000
Credit Account payable $30,000

227. **d** QN=54 Decreases in equity that represent costs of assets or services used to earn revenues are called:
a. Liabilities.
b. Equity.
c. Withdrawals.
d. Expenses.
e. Owner's Investment.

228. **d** QN=35 Orange Company purchased equipment on July 1 for $28,500 and decided to depreciate the equipment on the straight-line method over its useful life of five years. Assuming the equipment's salvage value is $4,500, the amount of monthly depreciation expense Nelson should recognize is:
a. $2,400
b. $ 200
c. $4800
d. $400
e. $ 450

229. **d** QN=34 A company used straight-line depreciation for an item of equipment that cost $12,000, had a salvage value of $2,000, and had a five-year useful life. What is the depreciation expense for one year?
a. $1000.
b. $1800.
c. $2400.
d. $2000.
e. $2160.

230. **d** QN=61 On June 30 of the current year, the assets and liabilities of Phoenix Phildell are as follows: Cash $20,500; Accounts Receivable, $7,250; Supplies, $650; Equipment, $12,000; Accounts Payable, $9,300. What is the amount of owner's equity as of July 1 of the current year?
a. $8,300
b. $13,050
c. $20,500
d. $31,100
e. $40,400

231. **d** QN=63 How would the accounting equation of Boston Company be affected by the billing of a client for $10,000 of consulting work completed?
a. +$10,000 accounts receivable, -$10,000 accounts payable.
b. +$10,000 accounts receivable, +$10,000 accounts payable.
c. +$10,000 accounts receivable, +$10,000 cash.
d. +$10,000 accounts receivable, +$10,000 revenue.
e. +$10,000 accounts receivable, -$10,000 revenue.

232. **d** QN=66 If the liabilities of a business increased $75,000 during a period of time and the owner's equity in the business decreased $30,000 during the same period, the assets of then business must have:
a. Decreased $105,000.
b. Decreased $45,000.
c. Increased $30,000.
d. Increased $45,000.
e. Increased $105,000.

233. **d** QN=71 The financial statement that reports whether the business earned a profit and also lists the types and amounts of the revenues and expenses is called:
a. A Balance sheet.
b. A Statement of owner's equity.
c. A Statement of cash flows.
d. An Income statement.
e. A Statement of financial position.

234. **d** QN=141 At the beginning of 2009, a company's balance sheet reported the following balances:
Total Assets = $125,000; Total Liabilities = $75,000; and Owner's Capital = $50,000. During 2009, the company reported revenues of $46,000 and expenses of $30,000. In
addition, owner's withdrawals for the year totaled $20,000. Assuming no other changes to owner's capital, the balance in the owner's capital account at the end of 2009 would be:
a. $66,000.
b. $86,000.
c. $(4,000).
d. $46,000.
e. Cannot be determined from the information provided.

235. **d** QN=49 If equity is $300,000 and liabilities are $192,000, then assets equal:
a. $108,000.
b. $192,000.
c. $300,000.
d. $492,000.
e. $792,000.

236. **d** QN=140 Dina Kader withdrew a total of $35,000 from her business during the current year. The entry needed to close the withdrawals account is:
a. Debit Income Summary and credit Cash for $35,000.
b. Debit Dina Kader, Withdrawals and credit Cash for $35,000.
c. Debit Income Summary and credit Dina Kader, Withdrawals for $35,000.
d. Debit Dina Kader, Capital and credit Dina Kader, Withdrawals for $35,000.
e. Debit Dina Kader, Withdrawals and credit Dina Kader, Capital for $35,000.

237. **d** QN=240 Provide descriptions for this transaction:
Credit cash and debit owner equity
a. Investing by owner in cash
b. Paid expense of business
c. Withdrawal of cash from business by owner for personal use
d. Withdrawal of cash from business by owner for personal use or paid expense of business
e. None of these

238. **d** QN=105 The approach to preparing financial statements based on recognizing revenues when they are earned and matching expenses to those revenues is:
a. Cash basis accounting.
b. The matching principle.
c. The time period principle.
d. Accrual basis accounting.
e. Revenue basis accounting.

239. **d** QN=125 The adjusting entry to record the earned but unpaid salaries of employees at the end of an accounting period is:
a. Debit Unpaid Salaries and credit Salaries Payable.
b. Debit Salaries Payable and credit Salaries Expense.
c. Debit Salaries Expense and credit Cash.
d. Debit Salaries Expense and credit Salaries Payable.
e. Debit Cash and credit Salaries Expense.

240. **d** QN=123 PPW Co. leased a portion of its store to another company for eight months beginning on October 1, 2009, at a monthly rate of $800. This other company paid the entire $6,400 cash on October 1, which PPW Co. recorded as unearned revenue. The journal entry made by PPW Co. at year- end on December 31, 2009 would include:
a. A debit to Rent Earned for $2,400.
b. A credit to Unearned Rent for $2,400.
c. A debit to Cash for $6,400.
d. A credit to Rent Earned for $2,400.
e. A debit to Unearned Rent for $4,000.

241. **d** QN=111 An adjusting entry could be made for each of the following except:
a. Prepaid expenses.
b. Depreciation.
c. Unearned revenues.
d. Account payable.
e. Accrued revenues.

242. **d** QN=120 On January 1 a company purchased a five-year insurance policy for $1,800 with coverage starting immediately. If the purchase was recorded in the Prepaid
Insurance account, and the company records adjustments only at year-end, the adjusting entry at the end of the first year is:
a. Debit Prepaid Insurance, $1,800; credit Cash, $1,800.
b. Debit Prepaid Insurance, $1,440; credit Insurance Expense, $1,440.
c. Debit Prepaid Insurance, $360; credit Insurance Expense, $360.
d. Debit Insurance Expense, $360; credit Prepaid Insurance, $360.
e. Debit Insurance Expense, $360; credit Prepaid Insurance, $1,440.

243. **d** QN=1 18 On April 1, 2009, a company paid the $1,350 premium on a three-year insurance policy with benefits beginning on that date. What will be the insurance expense on the annual income statement for the year ended December 31, 2009?
a. $1,350.
b. $450.
c. $1,012.50.
d. $337.50.
e. $37.50.

244. **d** QN=112 An adjusting entry could be made for each of the following except:
a. Prepaid expenses.
b. Depreciation.
c. Unearned revenues.
d. Revenue.
e. Accrued revenues.

245. **d** QN=1 96 Calculated as sales minus all costs directly related to those sales. It is about:
a. Cost of goods sold
b. Expense
c. Revenue
d. Gross profit
e. Profit

246. **d** QN=48 Net Income:
a. Decreases equity.
b. Represents the amount of assets owners put into a business.
c. Equals assets minus liabilities.
d. Is the excess of revenues over expenses.
e. Represents owners' claims against assets.

247. **d** QN=98 If Tim Jones, the owner of Jones Hardware proprietorship, uses cash of the business to purchase a family automobile, the business should record this use of cash with an entry to:
a. Debit Salary Expense and credit Cash.
b. Debit Tim Jones, Salary and credit Cash.
c. Debit Cash and credit Tim Jones, Withdrawals.
d. Debit Tim Jones, Withdrawals and credit Cash.
e. Debit Automobiles and credit Cash.

248. **d** QN=258 Which statement is true about revenue:
a. Revenue is reported in the financial statements as a liability on the balance sheet.
b. Revenue is reported in the financial statements as an asset on the balance sheet.
c. Revenue is reported in the financial statements as an owner's equity on the balance sheet.
d. Revenue is reported in the financial statements on the income statement.
e. Revenue is reported in the financial statements on the cash flow statement.

249. **d** QN=1 93 Money which a company owes to vendors for products and services purchased on credit. This item appears on the company's balance sheet as a current liability.
a. Prepayment
b. Account receivable
c. Asset
d. Account payable
e. Cost of goods sold

250. **d** QN=76 Flash has beginning equity of $257,000, net income of $51,000, withdrawals of $40,000 and investments by owners of $6,000. Its ending equity is:
a. $223,000.
b. $240,000.
c. $268,000.
d. $274,000.
e. $208,000.

251. **d** QN=188 Repayment of the loan for the bank $ 2,000 cash
a. Debit cash, credit Expense
b. Credit cash , debit expense
c. Debit cash, credit loan
d. Credit cash, debit loan
e. None of these

252. **d** QN=186 A company purchased a plant asset for $45,000. The asset has an estimated salvage value of $6,000, and an estimated useful life of 10 years. The annual depreciation
expense using the straight-line method is
a. $3,000 per year.
b. $9,300 per year.
c. $3,600 per year.
d. $3,900 per year.
e. $4,500 per year.

253. **d** QN=183 Which statement is true?
a. Assets need to depreciate include vehicle, machine, supplies, buildings
b. Assets need to depreciate include van, machine, supplies, buildings
c. Assets need to depreciate include machine, supplies, buildings
d. Assets need to depreciate include vehicle, machine, buildings
e. Assets need to depreciate include vehicle, supplies, buildings

254. **d** QN=1 77 Which are expected to be sold collected or used within one year or the company's
operating cycle?
a. Non - Current assets
b. Non - Current liabilities
c. Current liabilities
d. Current assets
e. None of these

255. **d** QN=82 Prepaid expenses are:
a. Payments made for products and services that do not ever expire.
b. Classified as liabilities on the balance sheet.
c. Decreases in equity.
d. Assets that represent prepayments of future expenses.
e. Promises of payments by customers.

256. **d** QN=275 How does Lead Company record by the billing of a client for $15,000 of service completed?
a. +$15,000 accounts receivable, -$15,000 accounts payable.
b. +$15,000 accounts receivable, +$15,000 accounts payable.
c. +$15,000 accounts receivable, +$15,000 cash.
d. +$15,000 accounts receivable, +$15,000 revenue.
e. +$15,000 accounts receivable, -$15,000 revenue.

257. **d** QN=83 A debit is:
a. An increase in an account.
b. The right-hand side of a T-account.
c. A decrease in an account.
d. The left-hand side of a T-account.
e. An increase to a liability account.

258. **d** QN=85 Which of the following statements is incorrect?
a. The normal balance of accounts receivable is a debit.
b. The normal balance of owner's withdrawals is a debit.
c. The normal balance of unearned revenues is a credit.
d. The normal balance of an expense account is a credit.
e. The normal balance of the owner's capital account is a credit.

259. **d** QN=270 Which is true about Revenues:
a. The same as net income.
b. The excess of expenses over assets.
c. Resources owned or controlled by a company.
d. Company's earning activities that contribute to increase owner's equity .
e. The costs of assets or services used.

260. **d** QN=230 Nelson Company purchased equipment on July 1 for $27,500 and decided to depreciate the equipment on the straight-line method over its useful life of five years. Assuming the equipment's salvage value is $3,500, the amount of monthly depreciation expense Nelson should recognize is:
a. $2,400
b. $ 200
c. $4,800
d. $ 400
e. $ 450

261. **d** QN=1 14 The expense created by allocating the cost of fixed assets to the periods in which they are used, representing the expense of using the assets, is called
a. Accumulated depreciation.
b. A contra account.
c. The matching principle.
d. Depreciation expense.
e. An accrued account.

262. **d** QN=87 A simple account form widely used in accounting as a tool to understand how debits and credits affect an account balance is called a:
a. Withdrawals account.
b. Capital account.
c. Drawing account.
d. T-account.
e. Balance column sheet.

263. **d** QN=263 The summary amounts below appear in the Income Statement and Balance Sheet columns of a company's December 31 work sheet. Prepare the necessary closing entries into OWNER CAPITAL
Asset : $15,000
Liability: $14,000
Withdrawal: $1,000
a. Debit Withdrawal: $1,000
Credit Owner Capital: $1,000
b. Debit expense: $1,000
Credit Owner Capital: $1,000
c. Debit Owner Capital: $1,000
Credit expense: $1,000
d. Debit Owner Capital: $1,000
Credit Withdrawal: $1,000
e. Debit income summary: $1,000
Credit Withdrawal: $1,000

264. **d** QN=92 Wisconsin Rentals purchased office supplies on credit. The general journal entry made by Wisconsin Rentals will include a:
a. Debit to Accounts Payable.
b. Debit to Accounts Receivable.
c. Credit to Cash.
d. Credit to Accounts Payable.
e. Credit to Wisconsin Rentals, Capital.

265. **d** QN=276 Moffat Company has assets of $600,000, liabilities of $250,000, and equity of $350,000.
What is the entry need to record when Moffat Company bill of a client for $25,000 of contract completed?
a. +$25,000 accounts receivable, -$25,000 accounts payable.
b. +$25,000 accounts receivable, +$25,000 accounts payable.
c. +$25,000 accounts receivable, +$25,000 cash.
d. +$25,000 accounts receivable, +$25,000 revenue.
e. +$25,000 accounts receivable, -$25,000 revenue.

266. **e** QN=226 Which statement is true?
a. The cost of an inventory item includes its invoice cost plus any discount, and plus any added costs necessary to put it in a place and condition for sale.
b. The cost of an inventory item includes its invoice cost plus any discount, and minus any added costs necessary to put it in a place and condition for sale.
c. The cost of an inventory item includes its invoice cost minus any discount, and minus any added costs necessary to put it in a place and condition for sale.
d. The cost of an inventory item includes its invoice cost minus any discount
e. The cost of an inventory item includes its invoice cost minus any discount, and plus any added costs necessary to put it in a place and condition for sale.

267. **e** QN=248 If Hussan, the owner of Hardware company, uses cash of the business to purchase a motorcycle for his travelling, the business should record this use of cash with an entry
to:
a. Debit Expense and credit Cash.
b. Credit Expense and Debit Cash.
c. Debit Cash and credit Withdrawals.
d. Debit Motorcycle and credit Cash.
e. Debit Withdrawals and credit Cash.

268. **e** QN=239 Provide descriptions for this transaction:
Credit supplies $ 2,000 and Debit expense $ 2,000
a. None of these
b. Selling supplies on credit worth of $2,000
c. Buying supplies for cash worth of $ 2,000
d. Buying supplies on credit worth of $ 2,000
e. Used supplies in business worth of $ 2,000

269. **e** QN=237 Provide descriptions for this transaction:
Credit cash $ 2,000 and Debit Account Payable $ 2,000
a. Buying for cash.
b. Selling for cash.
c. Selling on credit.
d. Buying on credit.
e. Paid accounts payable.

270. **e** QN=242 On June 1, paid $200 cash for office supplies. Prepare journal entries to record the above transactions on June 1.
a. Debit Cash $ 200
Credit office supplies $200
b. Debit office supplies expense $200
Credit Cash $ 200
c. Debit Cash $ 200
Credit office supplies expense $200
d. Debit equipment $200
Credit Cash $ 200
e. Debit office supplies $200
Credit Cash $ 200

271. **e** QN=231 Tangible assets include:
a. Vehicle
b. Equipment.
c. Buildings.
d. Machinery.
e. All of these.

272. **e** QN=26 Which of the following is not a liability?
a. Account payable
b. Note payable
c. Short term loan
d. Long term loan
e. Short term investment

273. **e** QN=170 The inventory system that updates the accounting records for merchandise transactions only at the end of a period. This statement is about:
a. FIFO inventory system
b. LIFO inventory system
c. Weighted inventory system
d. Perpetual inventory system
e. Periodic inventory system

274. **e** QN=109 An adjusting entry could be made for each of the following except:
a. Prepaid expenses.
b. Depreciation.
c. Supplies
d. Unearned revenues.
e. Owner capital

275. **e** QN=2 Costs included in the Merchandise Inventory account can include:
a. Invoice price minus any discount.
b. Transportation-in.
c. Storage.
d. Insurance.
e. All of these.

276. **e** QN=3 During a period of steadily rising costs, the inventory valuation method that yields the lowest reported net income is:
a. Specific identification method.
b. Average cost method.
c. Weighted-average method.
d. FIFO method.
e. LIFO method.

277. **e** QN= 7 Acceptable inventory methods include:
a. LIFO method.
b. FIFO method.
c. Specific identification method.
d. Weighted average method.
e. All of these.

278. **e** QN=9 A company had inventory on November 1 of 5 units at a cost of $20 each. On November 2, they purchased 10 units at $22 each. On November 6 they purchased 6 units at $25 each. On November 8, 8 units were sold for $55 each. Using the LIFO perpetual inventory method, what was the value of the inventory on November 8 after the sale?
a. $304
b. $296
c. $288
d. $280
e. $276

279. **e** QN=86 A credit is used to record:
a. A decrease in an expense account.
b. A decrease in an asset account.
c. An increase in an unearned revenue account.
d. An increase in a revenue account.
e. All of these.

280. **e** QN=91 A debit is used to record:
a. A decrease in an asset account.
b. A decrease in an expense account.
c. An increase in a revenue account.
d. An increase in the balance of an owner's capital account.
e. An increase in the balance of the owner's withdrawals account.

281. **e** QN=53 Creditors' claims on the assets of a company are called:
a. Net losses.
b. Expenses.
c. Revenues.
d. Equity.
e. Liabilities.

282. **e** QN=57 Which of the following statements is true about assets?
a. They are economic resources owned or controlled by the business.
b. They are expected to provide future benefits to the business.
c. They appear on the balance sheet.
d. Claims on them can be shared between creditors and owners.
e. All of these.

283. **e** QN=64 Zion Company has assets of $600,000, liabilities of $250,000, and equity of $350,000. It buys office equipment on credit for $75,000. What would be the effects of this transaction on the accounting equation?
a. Assets increase by $75,000 and expenses increase by $75,000.
b. Assets increase by $75,000 and expenses decrease by $75,000.
c. Liabilities increase by $75,000 and expenses decrease by $75,000.
d. Assets decrease by $75,000 and expenses decrease by $75,000.
e. Assets increase by $75,000 and liabilities increase by $75,000.

284. **e** QN=104 Adjusting entries are journal entries made at the end of an accounting period for the purpose of:
a. Updating liability and asset accounts to their proper balances.
b. Assigning revenues to the periods in which they are earned.
c. Assigning expenses to the periods in which they are incurred.
d. Assuring that financial statements reflect the revenues earned and the expenses incurred.
e. All of these.

285. **e** QN= 107 Which of the following statements is incorrect?
a. Adjustments to prepaid expenses, depreciation, and unearned revenues involve previously recorded assets and liabilities.
b. Accrued expenses and accrued revenues involve assets and liabilities that had not previously been recorded.
c. Adjusting entries can be used to record both accrued expenses and accrued revenues.
d. Prepaid expenses, depreciation, and unearned revenues often require adjusting entries to record the effects of the passage of time.
e. Adjusting entries affect the cash account.

286. **e** QN=127 The difference between the cost of an asset and the accumulated depreciation for that asset is called
a. Depreciation Expense.
b. Unearned Depreciation.
c. Prepaid Depreciation.
d. Depreciation Value.
e. Book Value.

287. **e** QN=223 Costs included in the Merchandise Inventory account can include:
a. Invoice price minus any discount.
b. Transportation-in.
c. Storage.
d. Insurance.
e. All of these.

288. **e** QN=1 42 At the beginning of 2009, Beta Company's balance sheet reported Total Assets of $195,000 and Total Liabilities of $75,000. During 2009, the company reported total revenues of $226,000 and expenses of $175,000. Also, owner withdrawals during 2009 totaled $48,000. Assuming no other changes to owner's capital, the balance in the owner's capital account at the end of 2009 would be:
a. $174,000.
b. $78,000.
c. Cannot be determined from the information provided.
d. $120,000.
e. $123,000.

289. **e** QN= 37 Lomax Enterprises purchased a depreciable asset for $20,000 on January 1, 2008. The asset will be depreciated using the straight-line method over its four-year useful life. Assuming the asset's salvage value is $2,000, what will be the amount of accumulated depreciation on this asset on June 30, 2011?
a. $18000
b. $4500
c. $13500
d. $20,000
e. $15750

290. **e** QN=38 Accounting is an information and measurement system that:
a. Identifies business activities.
b. Records business activities.
c. Communicates business activities.
d. Helps people make better decisions.
e. All of these.

291. **e** QN=40 External users of accounting information include:
a. Shareholders.
b. Customers.
c. Creditors.
d. Government regulators.
e. All of these.

292. **e** QN=259 Selling 1,000 products for a customer and collected $2,000 cash. Recording this transaction:
a. Debit Cash $ 1,000 and credit Revenue $1,000
b. Credit Cash $ 2,000 and Debit Revenue $2,000
c. Debit Cash $2,000 and Unearned Revenue $2,000
d. Credit Cash $ 2,000 and Debit Unearned Revenue $2,000
e. Debit Cash $ 2,000 and credit Revenue $2,000

293. **e** QN=261 The summary amounts below appear in the Income Statement and Balance Sheet columns of a company's December 31 work sheet. Prepare the necessary closing entries into INCOME SUMMARY
Asset : $10,000
Revenue: $ 15,000
Unearned revenue: $1,000
a. Debit unearned Revenue: $1,000
Credit Income summary: $1,000
b. Credit unearned Revenue: $1,000
Debit Income summary: $1,000
c. Credit Revenue: $15,000
Debit Income summary: $15,000
d. Debit owner capital: $10,000
Credit Withdrawal: $10,000
e. Debit Revenue: $15,000
Credit Income summary: $15,000

294. **e** QN=269 Which is true about Expenses:
a. The same as net income.
b. The excess of expenses over assets.
c. Resources owned or controlled by a company.
d. Company's earning activities that contribute to increase owner's equity .
e. The costs of assets or services used to generate revenue.

295. **e** QN=185 Book value is equal to:
a. Total asset cost minus depreciation expense
b. Total asset cost plus depreciation expense
c. Total asset plus depreciation expense
d. Total asset minus depreciation expense
e. None of these

296. **e** QN=197 The value of an asset as it appears on a balance sheet, equal to cost minus accumulated depreciation is definition of:
a. Depreciation cost
b. Asset at cost
c. Accumulated depreciation
d. Depreciation expense
e. Book value

297. **e** QN=213 Which accounts need to do closing entries?
a. Close Revenue accounts to Income Summary
b. Close Expense accounts to Income Summary
c. Close Income Summary account to Owner's Capital.
d. Close Withdrawals account to Owner's Capital
e. All of these

298. **e** QN=21 4 Which accounts don't need to do closing entries?
a. Revenue
b. Expense
c. Income Summary
d. Withdrawals
e. Current asset

299. **e** QN=250 John set up a new business and completed these transactions:
1. Open new restaurant, by investing $30,000 cash and equipment valued at $10,000.
2. Purchased $1,000 of kitchen utility on credit.
3. Paid $1,500 cash for the staff's salary.
4. Service meals to customers and collected$4,000 cash
What was the balance of the cash account after these transactions were posted?
a. $46,500
b. $42,500
c. $45,500
d. $31,500
e. $32,500